

Ms. Linda Holtzscheiter, Reimbursement Manager
Mariner Post-Acute Network
15415 Katy Freeway, Suite 800
Houston, Texas 77094

Re: AC# 3-PGV-J7 – GCI Prince George, Inc., d/b/a Prince George Healthcare
Center

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

**GCI PRINCE GEORGE, INC.,
D/B/A PRINCE GEORGE HEALTHCARE CENTER
GEORGETOWN, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1998
AC# 3-PGV-J7**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 9, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GCI Prince George, Inc., d/b/a Prince George Healthcare Center, for the contract periods beginning October 1, 1998, and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GCI Prince George, Inc., d/b/a Prince George Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GCI Prince George, Inc., d/b/a Prince George Healthcare Center dated as of September 30, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
March 9, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

PRINCE GEORGE HEALTHCARE CENTER

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1998
AC# 3-PGV-J7

	<u>10/01/98-</u> <u>11/30/98</u>	<u>12/01/98-</u> <u>09/30/99</u>
Interim reimbursement rate (1)	\$91.71	\$92.46
Adjusted reimbursement rate	<u>81.67</u>	<u>82.42</u>
Decrease in reimbursement rate	<u>\$10.04</u>	<u>\$10.04</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

PRINCE GEORGE HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1998 Through November 30, 1998
AC# 3-PGV-J7

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$31.86	\$48.65	
Dietary		6.92	9.44	
Laundry/Housekeeping/Maintenance		<u>5.45</u>	<u>7.70</u>	
Subtotal	<u>\$4.61</u>	44.23	65.79	\$44.23
Administration & Med. Records	<u>\$ -</u>	<u>14.17</u>	<u>10.38</u>	<u>10.38</u>
Subtotal		58.40	<u>\$76.17</u>	54.61
<u>Costs Not Subject to Standards:</u>				
Utilities		2.17		2.17
Special Services		7.46		7.46
Medical Supplies & Oxygen		2.25		2.25
Taxes and Insurance		2.02		2.02
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$72.30</u>		68.51
Inflation Factor (3.60%)				2.47
Cost of Capital				8.69
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.61
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.86)
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$81.67</u>

PRINCE GEORGE HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Periods December 1, 1998 Through September 30, 1999
AC# 3-PGV-J7

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Cost of Capital				8.69
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.61
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.86)
Minimum Wage and CNA Add-Ons				<u>1.00</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$82.42</u>

PRINCE GEORGE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-PGV-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,598,169	\$ 17,668 (7)	\$ 1,502 (1)	\$1,669,177
		115,026 (14)	3,743 (4)	
		9,205 (14)	21,406 (5)	
			7,293 (12)	
			32,090 (13)	
			877 (13)	
			3,980 (15)	
Dietary	363,898	41,355 (14)	4,180 (6)	362,782
			17,668 (7)	
			10,144 (8)	
			2,787 (13)	
			7,692 (15)	
Laundry	62,234	9,898 (14)	550 (13)	67,302
			4,280 (15)	
Housekeeping	114,723	36,175 (14)	1,336 (13)	121,353
			28,209 (15)	
Maintenance	91,348	28,669 (14)	595 (13)	97,040
			22,382 (15)	
Administration & Medical Records	707,610	9,406 (5)	878 (6)	742,281
		9,335 (5)	334 (6)	
		37,345 (14)	6,842 (13)	
		7,559 (14)	737 (13)	
			14,541 (15)	
			3,880 (15)	
			1,762 (16)	

PRINCE GEORGE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-PGV-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	<u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Utilities	110,965	2,665 (5) 34,821 (14)	1,390 (6) 7,398 (9) 26,169 (15)	113,494
Special Services	333,889	3,721 (16) 53,894 (17)	861 (13)	390,643
Medical Supplies & Oxygen	305,605	-	21,205 (6) 16,661 (11) 26,675 (12) 123,257 (16)	117,807
Taxes & Insurance	91,174	10,711 (10) 27,191 (14)	23,231 (15)	105,845
Legal Fees	-	-	-	-
Cost of Capital	367,356	11,956 (1) 483 (2) 46,582 (3) 2,744 (14) <u>27,731 (18)</u>	1,435 (15)	455,417
Subtotal	4,146,971	544,140	447,970	4,243,141
Ancillary	221,880	2,158 (4) 16,661 (11)	-	240,699

PRINCE GEORGE HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-PGV-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	Adjusted <u>Credit</u>	<u>Totals</u>
Non-Allowable	2,648,338	1,585 (4)	10,454 (1)	2,516,073
		10,144 (8)	483 (2)	
		7,398 (9)	46,582 (3)	
		33,968 (12)	349,988 (14)	
		46,675 (13)	53,894 (17)	
		135,799 (15)	27,731 (18)	
	<u> </u>	<u>121,298 (16)</u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$7,017,189</u>	<u>\$919,826</u>	<u>\$ 937,102</u>	<u>\$6,999,913</u>
Total Patient Days	<u>44,964</u>	<u>7,435 (19)</u>	<u>-</u>	* <u>52,399</u>

*Adjusted to 97% occupancy

Total Beds 148

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-PGV-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$250,941	
	Cost of Capital	11,956	
	Accumulated Depreciation		\$ 44,135
	Other Equity		206,806
	Restorative		1,502
	Nonallowable		10,454
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Loan Cost	7,243	
	Cost of Capital	483	
	Accumulated Amortization		1,288
	Other Equity		5,955
	Nonallowable		483
	To adjust loan cost and related amortization to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	46,582	
	Nonallowable		46,582
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
4	Ancillary	2,158	
	Nonallowable	1,585	
	Nursing		3,743
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk State Plan, Attachment 4.19D		

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-PGV-J7

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
5	Administration	9,406	
	Medical Records	9,335	
	Utilities	2,665	
	Nursing		21,406
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
6	Retained Earnings	27,987	
	Dietary		4,180
	Administration		878
	Medical Records		334
	Utilities		1,390
	Medical Supplies		21,205
	To properly charge expense applicable to the prior period HIM-15-1, Section 2302.1		
7	Nursing	17,668	
	Dietary		17,668
	To reverse DH&HS reclassification adjustment HIM-15-1, Section 2304		
8	Nonallowable	10,144	
	Dietary		10,144
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-PGV-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable Utilities	7,398	7,398
	To disallow expense not related to patient care HIM-15-1, Section 2106.1		
10	Taxes and Insurance	10,711	
	Accrued Property Taxes	3,768	
	Retained Earnings		14,479
	To adjust property taxes and related accrual to actual HIM-15-1, Sections 2302.1 and 2304		
11	Ancillary	16,661	
	Medical Supplies		16,661
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
12	Nonallowable	33,968	
	Nursing		7,293
	Medical Supplies		26,675
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
13	Nonallowable	46,675	
	Nursing		32,090
	Restorative		877
	Dietary		2,787
	Laundry		550
	Housekeeping		1,336
	Maintenance		595
	Administration		6,842
	Medical Records		737
	Special Services		861
	To adjust fringe benefits and related allocation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-PGV-J7

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
14	Nursing	115,026	
	Restorative	9,205	
	Dietary	41,355	
	Laundry	9,898	
	Housekeeping	36,175	
	Maintenance	28,669	
	Administration	37,345	
	Medical Records	7,559	
	Utilities	34,821	
	Taxes and Insurance	27,191	
	Cost of Capital	2,744	
	Nonallowable		349,988
	To reverse Provider and DH&HS adjustments to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
15	Nonallowable	135,799	
	Restorative		3,980
	Dietary		7,692
	Laundry		4,280
	Housekeeping		28,209
	Maintenance		22,382
	Administration		14,541
	Medical Records		3,880
	Utilities		26,169
	Taxes and Insurance		23,231
	Cost of Capital		1,435
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

PRINCE GEORGE HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-PGV-J7

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
16	Special Services	3,721	
	Nonallowable	121,298	
	Administration		1,762
	Medical Supplies		123,257
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
17	Special Services	53,894	
	Nonallowable		53,894
	To adjust co-insurance for Medicare Part B services to allowable State Plan, Attachment 4.19D		
18	Cost of Capital	27,731	
	Nonallowable		27,731
	To adjust capital return to allowable State Plan, Attachment, 4.19D		
19	<u>Memo Adjustment</u>		
	To increase total patient days by 7,435 to 52,399		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$1,209,765</u>	<u>\$1,209,765</u>

Due to the nature of compliance reporting,
adjustment descriptions and references
contained in the preceding Adjustment Report
are provided for general guidance only and
are not intended to be all-inclusive.

PRINCE GEORGE HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-PGV-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>148</u>
Deemed Asset Value	5,042,212
Improvements Since 1981	223,871
Accumulated Depreciation at 9/30/97	<u>(680,293)</u>
Deemed Depreciated Value	4,585,790
Market Rate of Return	<u>0.067</u>
Total Annual Return	307,248
Return Applicable to Non-Reimbursable Cost Centers	(2,844)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>25</u>
Allowable Annual Return	304,429
Depreciation Expense	151,355
Amortization Expense	1,127
Capital Related Income Offsets	(59)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,435)</u>
Allowable Cost of Capital Expense	455,417
Total Patient Days (Minimum 97% Occupancy)	<u>52,399</u>
Cost of Capital Per Diem	\$ <u><u>8.69</u></u>